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# STATE SCHOOL AID UPDATE

Michigan Department of Education

June 2004

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## JUNE PAYMENT INFORMATION

The June state school aid payment is the 9<sup>th</sup> payment of the year and reflects a cumulative 81.81% of the year's allocations for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. Generally, information needed to calculate a payment or to update a categorical amount that is received in the State Aid & School Finance Office by the 20<sup>th</sup> of a given month will be used in the following month's state school aid payment. Therefore, information and data that were received in the Office by May 20, 2004 are reflected in the June payment calculations. The June payment will post in the school districts' accounts on **Friday, June 18<sup>th</sup>** because June 20<sup>th</sup> is a Sunday.

**Taxable value** - The June payment uses the *adjusted* 2003 tax year non-homestead taxable value data, as provided by the county treasurers on the DS-4410B forms, for the vast majority of districts. There is only one county for which adjusted data are not yet being used. Any local district located in whole or in part in Genesee county will still have the beginning 2003 tax year data being used to calculate the payment. To determine whether the taxable value data for your district has been updated, simply compare the taxable value figures on the May 2004 state aid financial status report with those on the June 2004 report. A change in the data since May indicates that the adjusted data are being used.

**Pupil membership** - The audited February and September 2003 pupil counts submitted via the MEIS system have been used in the calculation of the June payment. For PSAs in their first or second year of operation, the February 2004 count data submitted via the SRSD are averaged with the audited September 2003 count.

## FY 2005 SCHOOL AID

In the April UPDATE, we reported that the full Senate had passed Senate Bill 1069 (SB 1069) which would amend school aid for FY 2005. The full House has now passed their version of SB 1069. The following is a brief list of some of the provisions of SB 1069 as passed the House compared to the Senate version and the Executive Recommendation.

- C The **minimum** foundation allowance in FY 2005 would be \$6,700.00. All districts would have a foundation equal to their per-pupil foundation in FY 2004. This agrees with the Senate and the Executive Recommendation.
- C **At-risk pupil funding** (§31a) would remain at \$314,200,000. This agrees with the Executive Recommendation. The Senate version reduced this item to \$304,300,000.
- C **Michigan School Readiness funding** (§32d) would be reduced by \$2 million to \$70.8 million. This agrees with the Senate version. The Executive Recommendation would maintain the funding at \$72.8 million.
- C **ISD General Operations** (§81) would be reduced by \$8.7 million to \$83 million as opposed to the Senate passed version that would reduce this categorical by \$12.5 million to \$79.2 million. The executive recommendation would move \$7.6 million from §81 to §32j (Great Parents-Great Start, \$6.7 million) and a new §61b (Learn to Earn, \$1 million). Neither the Senate or the House passed version include the new §61b.
- C A new **Isolated Districts Allocation** (§22d) of \$1 million would be for small, rural, Upper Peninsula districts or island districts to provide minimum essential financial needs. Neither the Senate version or the Executive Recommendation include this new item.

“Boilerplate” language in the House passed version includes the following:

- C The **Pupil Membership Blend** (§6(4)) would remain an 80%-20% blend of the current-year September count and the prior-year February count respectively as opposed to a 50%-50% blend of those two counts as proposed in the Executive Recommendation. This agrees with the Senate passed version.
- C The **Three Year Average Membership Blend** language (§6(4)(y)) for districts with less than 1,550 pupils (blended) and fewer than 4.5 pupils per square mile would be retained. However, districts receiving funds under the new §22d (see above) would not be eligible. The Executive Recommendation proposed the elimination of the three year average blend.

- C **Hold Harmless Payments** (§20j) would not be reduced by up to \$74 per pupil for districts with a combined per pupil foundation plus per pupil 20j amount greater than \$9,000 as proposed in the Executive Recommendation. This agrees with the Senate passed version.

To view the complete Senate or House passed versions of SB 1069 go to [www.Michiganlegislature.org](http://www.Michiganlegislature.org) and key in 1069 in the "Legislative Bill Search" prompt box. Summary documents are also available on the House Fiscal Agency website, [www.house.mi.gov/hfa/schoolaid.html](http://www.house.mi.gov/hfa/schoolaid.html).

#### **MAY 2004 REVENUE ESTIMATING CONFERENCE**

As mentioned in the May UPDATE, leaders from the House and Senate Fiscal Agencies and the State Treasurer met on May 18, 2004 for the May 2004 Revenue Estimating Conference. Based on data agreed to at that conference, it is estimated that the School Aid fund is approximately \$50 million dollars further in deficit than was estimated at the previous revenue estimating conference. In response to that news, the State Budget Director notified the legislature that additional FY 2004 school aid proration could be necessary pursuant to Section 11(3) of the State School Aid Act. In order to prevent proration, the Governor recommended a plan that appropriates approximately \$50 million from the general fund to the state school aid fund. Also, the Senate has passed Senate Bill (SB) 1194 that increases the FY 2004 general fund contribution to the school aid fund by \$50.1 million. SB 1194 is expected to be considered by the House during the week of June 13<sup>th</sup>. In related action, the House passed House Bill (HB) 5632 which raises the tax on a package of cigarettes by 75 cents. The increase would be effective July 1, 2004 in order to increase fiscal year 2004 general fund revenues.

#### **FY 2004 RENAISSANCE ZONE PAYMENTS**

The FY 2004 Section 26a Renaissance Zone allowances appear on the June State School Aid Financial Status Report for eligible districts. The current month payment amount for these funds represents 81.81% of the annual amount to catch the payments up through June. The Renaissance Zone allowance amount that appears on the June status report is based on preliminary 2003 taxable values and 2002 millage rates. The allowance amounts will be revised in the July or August payment based on updated taxable values and 2003 millage rates. Contact Howard Heideman, ORTA-Department of Treasury, (517) 373-9002, [HeidemanH@Michigan.gov](mailto:HeidemanH@Michigan.gov).

#### **FORM DS-4168, REPORT OF DAYS AND CLOCK HOURS OF INSTRUCTION**

The instructions and forms to report the number of days and clock hours of instruction provided during the 2003-2004 school year are available on the Department's website. Two copies of the completed form(s) are to be forwarded to the respective ISD by July 16; the ISD will forward one copy of the districts' forms to the Department by August 1. To access the forms at [www.Michigan.gov/mde](http://www.Michigan.gov/mde) click on "Administrators" then "Reporting Forms to MDE" then "State School Aid and Finance Forms."

For a district that counted teacher professional development (PD) time as pupil instructional time as allowed under State School Aid Act Section 101(11), if the district has not yet notified the Department about this election, completion and submission of the DS-4168 with an indication that PD time was counted as instructional time will serve as the required notice to the Department. Contact Joellen Wonsey, State Aid & School Finance, (517) 373-3352, [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov).

#### **SECTION 31A (AT-RISK) PROGRAM REPORTS DUE JULY 15**

Local school districts and public school academies receiving 2003-04 funds under Section 31a At-Risk are required to submit the 2003-04 Section 31a Program Report to the Department by July 15, 2004. The report form has been added to the Michigan Electronic Grants System (MEGS) at <http://megs.state.mi.us/megs/>. If the report is not submitted by July 15, 2004 an amount equal to the district's Section 31a August installment will be withheld from the August state aid payment. These funds will be forfeited if the report is not received by September 30, 2004. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266, or [ThelenJA@Michigan.gov](mailto:ThelenJA@Michigan.gov).

## **GENERAL INFORMATION**

- **Proration factors:** Section 31a - At Risk funding is \$100.3207238389 per pupil, Section 62 - Vocational Ed Millage Equalization .8499646603, Section 56 - Special Ed Millage Equalization .7826971658.
- The **Bulletin 1014** reflecting local district revenues and expenditures for FY 2003 is available on the MDE website at [www.Michigan.gov](http://www.Michigan.gov). Click on “Programs and Offices” and then scroll down to “State Aid and School Finance” on the left-hand side of the screen. Contact Glenda Rader, (517) 335-0524, [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).